FDIC State Profile

Spring 2005

Illinois

The Illinois economy slowly improves.

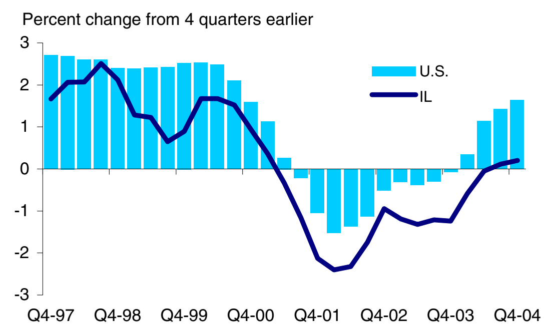
- Illinois continued to trail the nation in job growth. The state added 11,800 jobs as nonfarm payrolls grew 0.2 percent in the year ending fourth quarter 2004 (See Chart 1).

- The services sectors accounted for the majority of year-over-year job gains (See Chart 2), which remain concentrated in the **Chicago** metro area.

- Strong productivity gains and corporate restructurings continued to impede an upturn in factory employment. About 1,600 manufacturing jobs were lost year-over-year through fourth quarter 2004; most of those jobs were in the Chicago and **Bloomington-Normal** metro areas.

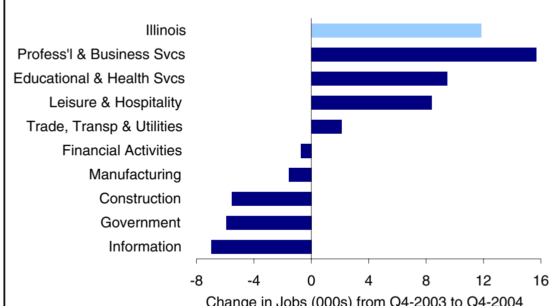
- Under a new labor contract (approved December 2004) with the United Auto Workers, DaimlerChrysler will no longer seek to close an assembly plant based in **Rockford** that employs 2,200 workers. Instead, the auto manufacturer will create an additional 500 to 1,000 jobs to expand production of vehicles in Rockford, a metropolitan area with one of the highest unemployment rates in the state. In addition, Chrysler's decision spurred the development of four vehicle parts suppliers and an auto parts sorting center nearby.

Chart 1: Job Growth Improves Slowly



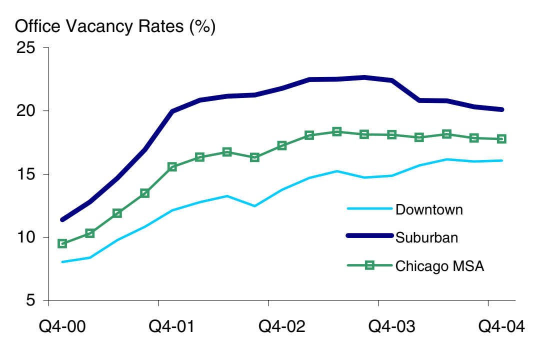
Source: Bureau of Labor Statistics

Chart 2: Job Growth is Concentrated in the Services Sector



Source: Bureau of Labor Statistics

Chart 3: Office Vacancy Rates Remain Stable



Source: Torto Wheaton Research

Illinois household finances are improving.

- Personal income rose in tandem with labor improvements, and the state experienced declines in personal bankruptcy filings and mortgage foreclosure rates in fourth quarter 2004 compared with one-year ago.

- Residential building growth in the **Chicago-Naperville-Joliet** metropolitan area moderated in fourth quarter 2004, as single-family housing permits increased 9.5 percent year-over-year following double-digit gains earlier in the year. The growth rate for home resales also slowed, but the pace of home price appreciation moved higher to 9.3 percent year-over-year.

- The Chicago commercial real estate market remained stable in the fourth quarter (See Chart 3) and suburban vacancy rates continued to improve from positive net absorption. However, downtown construction completions outpaced demand and caused office vacancy rates to move up slightly.

Community institutions[1] reported stable 2004 performance amid higher interest rates.

- Net interest margins among Illinois community institutions expanded by four basis points from 2003 to 3.69 percent as higher asset yields offset increased funding costs after midyear.

- Profitability at Illinois community institutions fell for the second consecutive year. Lower noninterest income contributed to most of the decline in profitability in the past year (See Table 1).

- Community institutions increasingly turned to noncore funding products, such as borrowings and large time deposits, to fund asset growth. Core funding relative to assets declined 120 basis points from 2003 to 68.1 percent in 2004.

- Funding costs for all insured institutions increased in the latter half of 2004 as the federal funds rate rose to its highest level since 2001, suggesting that higher short-term interest rates likely will contribute to higher funding costs in future quarters (See Chart 4).

Asset quality trends remain favorable.

- Total assets among community institutions increased by 3 percent during 2004, led by growth in the construction and development, nonresidential real estate, and home equity loan categories.

- Past-due rates at Illinois community institutions declined year-over-year for all major loan categories (See Chart 5). However, recent rapid loan growth and the lack of seasoning of new loans could be boosting broad measures of asset quality.

- Some banks in the Region have taken writedowns on earnings from impairment charges related to holdings of preferred stock from Fannie Mae and Freddie Mac (GSE holdings). Recent accounting problems at Fannie Mae and Freddie Mac have reduced the market value of these securities.

[1]Community institutions are insured institutions with less than $1 billion in assets, excluding new (less than three years old) and specialty banks.

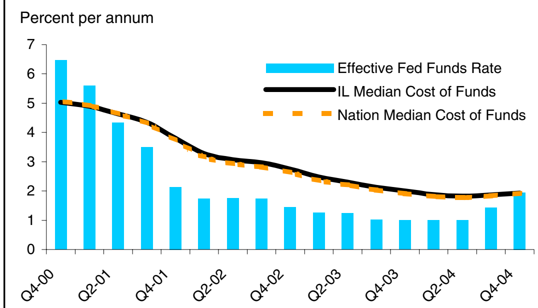
Table 1: Lower Noninterest Income Reduced Profitability

Income statement contribution (as a percentage of average assets)

	Calendar year		Percentage Point Change
	2003	2004	
Net Interest Income	3.37	3.40	0.03
Noninterest Income	0.87	0.74	-0.13
Noninterest Expense	-2.65	-2.62	0.03
Provision Expense	-0.24	-0.19	0.05
Security Gains & Losses	0.05	0.04	-0.01
Income Taxes	-0.33	-0.33	0.00
Net Income (ROA)	1.07	1.04	-0.03

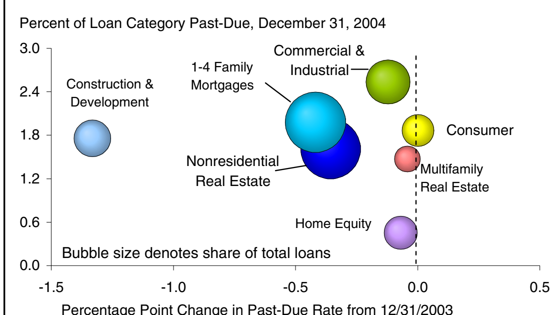
Source: FDIC. Illinois Community Banks and Thrifts.

Chart 4: Higher Fed Fund Rates Likely Will Lead to Higher Cost of Funds in Illinois



Source: FDIC and Federal Reserve

Chart 5: Past-Due Rates Continue to Improve Across Most Loan Categories



Source: FDIC. Illinois' Community Institutions

Illinois at a Glance

ECONOMIC INDICATORS (Change from year ago quarter, unless noted)

Employment Growth Rates	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Total Nonfarm (share of trailing four quarter employment in parentheses)	0.3%	-1.2%	-0.9%	-2.1%	1.0%
Manufacturing (12%)	-0.5%	-5.4%	-5.4%	-9.1%	-2.1%
Other (non-manufacturing) Goods-Producing (5%)	-2.4%	-2.9%	0.2%	3.7%	2.2%
Private Service-Producing (69%)	0.7%	-0.2%	-0.5%	-1.8%	1.4%
Government (15%)	-0.5%	-2.0%	0.7%	1.6%	1.5%
Unemployment Rate (% of labor force)	6.1	6.7	6.7	5.8	4.7

Other Indicators	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Personal Income	N/A	3.2%	1.0%	0.5%	6.5%
Single-Family Home Permits	-4.0%	-0.5%	19.3%	8.9%	-16.3%
Multifamily Building Permits	-21.5%	31.9%	-7.4%	35.8%	3.8%
Existing Home Sales	5.9%	6.1%	9.9%	6.3%	-0.8%
Home Price Index	8.2%	6.8%	6.0%	6.1%	6.6%
Bankruptcy Filings per 1000 people (quarterly level)	1.52	1.56	1.67	1.51	1.21

BANKING TRENDS

General Information	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Institutions (#)	746	769	787	806	828
Total Assets (in millions)	340,635	575,362	518,474	476,300	394,840
New Institutions (# < 3 years)	8	8	20	39	43
Subchapter S Institutions	190	184	164	144	125

Asset Quality	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Past-Due and Nonaccrual Loans / Total Loans (median %)	1.63	1.78	1.93	2.09	1.89
ALLL/Total Loans (median %)	1.11	1.15	1.14	1.09	1.07
ALLL/Noncurrent Loans (median multiple)	1.68	1.54	1.55	1.37	1.49
Net Loan Losses / Total Loans (median %)	0.09	0.10	0.11	0.11	0.07

Capital / Earnings	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Tier 1 Leverage (median %)	9.13	8.92	8.89	8.95	9.24
Return on Assets (median %)	0.96	0.97	1.01	0.90	0.93
Pretax Return on Assets (median %)	1.25	1.25	1.35	1.18	1.26
Net Interest Margin (median %)	3.71	3.67	3.81	3.63	3.76
Yield on Earning Assets (median %)	5.33	5.57	6.40	7.39	7.80
Cost of Funding Earning Assets (median %)	1.62	1.92	2.59	3.77	4.08
Provisions to Avg. Assets (median %)	0.09	0.12	0.14	0.13	0.12
Noninterest Income to Avg. Assets (median %)	0.52	0.58	0.54	0.52	0.48
Overhead to Avg. Assets (median %)	2.60	2.64	2.64	2.63	2.66

Liquidity / Sensitivity	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Loans to Assets (median %)	61.8	59.7	61.2	61.1	61.1
Noncore Funding to Assets (median %)	16.6	16.1	16.0	15.7	15.3
Long-term Assets to Assets (median %, call filers)	13.9	15.3	14.3	15.4	12.9
Brokered Deposits (number of institutions)	212	186	160	136	112
Brokered Deposits to Assets (median % for those above)	4.3	4.0	3.7	3.5	3.1

Loan Concentrations (median % of Tier 1 Capital)	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Commercial and Industrial	63.3	64.0	68.3	69.5	71.3
Commercial Real Estate	146.1	136.7	123.7	117.3	105.3
Construction & Development	18.7	15.5	13.6	13.4	11.0
Multifamily Residential Real Estate	7.5	6.4	5.5	4.1	4.2
Nonresidential Real Estate	104.1	94.2	90.6	83.8	76.0
Residential Real Estate	187.4	184.0	194.4	203.3	205.6
Consumer	34.4	40.2	46.7	51.8	56.3
Agriculture	53.0	51.8	57.7	58.6	63.3

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits ($ millions)		Asset Distribution	Institutions
Chicago-Naperville-Joliet, IL-IN-WI	338	220,508		< $250 mil.	573 (76.8%)
Bloomington-Normal, IL	26	7,994		$250 mil. to $1 bil.	138 (18.5%)
Davenport-Moline-Rock Island, IA-IL	46	5,440		$1 bil. to $10 bil.	30 (4%)
Rockford, IL	23	5,177		> $10 bil.	5 (0.7%)
Peoria, IL	46	5,173			